

**BILLY CREEK  
LOT OWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(Reviewed)**

**Years Ended December 31, 2023 and 2022**

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# HSC/Tuscan & Company, PA

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Members  
Billy Creek Lot Owners' Association, Inc.  
Fort Myers, Florida

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of Billy Creek Lot Owners' Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Billy Creek Lot Owners' Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 13 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

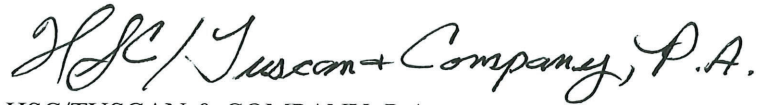
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**Report on Summarized Comparative Information**

We have previously reviewed Billy Creek Lot Owners' Association, Inc.'s 2022 financial statements and our conclusion dated December 21, 2023 stated that based on our review, we were not aware of any material modifications that should be made to the 2022 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2022, for it to be consistent with the reviewed financial statements from which it has been derived.



HSC/TUSCAN & COMPANY, P.A.

Fort Myers, Florida  
January 22, 2025

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Balance Sheet  
 December 31, 2023  
 (with Comparative Totals for December 31, 2022)

	<u>ASSETS</u>			
	2023		2022	
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 119,996	\$ 80,518	\$ 200,514	\$ 158,594
Members' assessments receivable (no allowance for credit losses)	7,251	-	7,251	25,798
Prepaid expenses	3,743	-	3,743	3,217
Due from operating fund	-	7,775	7,775	6,497
Deposits	100	-	100	100
Total Current Assets	<u>131,090</u>	<u>88,293</u>	<u>219,383</u>	<u>194,206</u>
<b>CERTIFICATE OF DEPOSIT</b>	<u>23,677</u>	<u>-</u>	<u>23,677</u>	<u>23,764</u>
<b>Total Assets</b>	<u>\$ 154,767</u>	<u>\$ 88,293</u>	<u>\$ 243,060</u>	<u>\$ 217,970</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 84	\$ -	\$ 84	\$ 27
Income tax payable	757	-	757	371
Due to replacement fund	7,775	-	7,775	6,497
Prepaid assessments	1,332	-	1,332	1,942
Total Current Liabilities	<u>9,948</u>	<u>-</u>	<u>9,948</u>	<u>8,837</u>
<b>LONG-TERM LIABILITIES</b>				
Contract liabilities (assessments received in advance - replacement fund)	<u>-</u>	<u>88,271</u>	<u>88,271</u>	<u>80,497</u>
<b>Total Liabilities</b>	9,948	88,271	98,219	89,334
<b>FUND BALANCES</b>	<u>144,819</u>	<u>22</u>	<u>144,841</u>	<u>128,636</u>
	<u>\$ 154,767</u>	<u>\$ 88,293</u>	<u>\$ 243,060</u>	<u>\$ 217,970</u>

The accompanying notes are an integral part of this financial statement.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statement of Revenues and Expenses  
Year Ended December 31, 2023  
(with Comparative Totals for December 31, 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
<b>REVENUES</b>				
Member assessments	\$ 106,470	\$ -	\$ 106,470	\$ 104,249
Bad debt expense	(1)	-	(1)	-
Member assessments, net	106,469	-	106,469	104,249
Interest income	15	8	23	13
Other income	1,814	-	1,814	1,754
Total Revenues	108,298	8	108,306	106,016
<b>EXPENSES</b>				
Grounds maintenance	63,138	-	63,138	57,541
Electricity	1,107	-	1,107	942
Water	833	-	833	502
Accounting and legal	10,209	-	10,209	3,660
Insurance	5,354	-	5,354	7,295
Licenses and fees	61	-	61	61
Management fees	9,282	-	9,282	9,000
Office expenses and bank charges	1,312	-	1,312	1,129
Income tax expense	805	-	805	371
	92,101	-	92,101	80,501
Excess revenues over expenses	\$ 16,197	\$ 8	\$ 16,205	\$ 25,515

The accompanying notes are an integral part of this financial statement.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statements of Changes in Fund Balances  
 Years Ended December 31, 2023 and 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances - December 31, 2021	\$ 103,114	\$ 7	\$ 103,121
Excess (deficiency) revenues over expenses	<u>25,508</u>	<u>7</u>	<u>25,515</u>
Balances - December 31, 2022	128,622	14	128,636
Excess (deficiency) revenues over expenses	<u>16,197</u>	<u>8</u>	<u>16,205</u>
Balances - December 31, 2023	<u>\$ 144,819</u>	<u>\$ 22</u>	<u>\$ 144,841</u>

The accompanying notes are an integral part of these financial statements.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statement of Cash Flows  
Year Ended December 31, 2023  
(with Comparative Totals for December 31, 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) revenues over expenses	\$ 16,197	\$ 8	\$ 16,205	\$ 25,515
Adjustments to reconcile excess revenues over expenses to cash provided by operating activities:				
Bad debt expense	1	-	1	-
Changes in assets and liabilities:				
Member assessments receivable	18,547	-	18,547	(6,048)
Prepaid expenses	(526)	-	(526)	1,423
Accounts payable	57	-	57	(7,614)
Income tax payable	386	-	386	371
Prepaid assessments	(610)	-	(610)	1,931
Assessments received in advance - replacement fund	-	7,774	7,774	6,495
Increase in due to/from other fund	1,278	(1,278)	-	-
Net Cash Provided by (Used in) Operating Activities	<u>35,330</u>	<u>6,504</u>	<u>41,834</u>	<u>22,073</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Redemption of certificate of deposit	23,763	-	23,763	-
Purchase of certificate of deposit	(23,677)	-	(23,677)	-
Net Cash Provided by (Used in) Investing Activities	<u>86</u>	<u>-</u>	<u>86</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	35,416	6,504	41,920	22,073
CASH AND CASH EQUIVALENTS, beginning of year	<u>84,580</u>	<u>74,014</u>	<u>158,594</u>	<u>136,521</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 119,996</u>	<u>\$ 80,518</u>	<u>\$ 200,514</u>	<u>\$ 158,594</u>

The accompanying notes are an integral part of this financial statement.

## BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

### **NOTE A – NATURE OF OPERATIONS**

Billy Creek Lot Owners' Association, Inc. (the "Association") was incorporated in June 1980. The purpose of the Association is to manage and maintain the common areas of the Billy Creek Commerce Center located in Fort Myers, Florida. At December 31, 2023 and 2022, there were 163 lots of various sizes, each with a voting interest. Billy Creek Lot Owners' Association, Inc. is a Common Interest Realty Association as defined by the American Institute of Certified Public Accountants.

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to accumulate financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements of drainage, emergency/storm, general, signs, irrigation pumps, and irrigation wells.

#### Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

#### Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. Any excess assessments at year-end are retained by the Association for use in future years. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable were \$7,251, \$25,798 and \$19,750 as of December 31, 2023, 2022 and 2021, respectively.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from lot owners. The Association's policy is to retain legal counsel and place liens on the properties of lot owners whose assessments are delinquent up to the statutory limit. At December 31, 2023 and 2022, no allowance for credit losses was deemed necessary.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Member Assessments (continued)

Each member is assessed, and shares prorate in the operating expense and other income (based on their square footage of property owned). All assessments must be approved by the Board of Directors. If the assessment exceeds the maximum assessment as defined in the Declaration, then the increase must be assented to by two-thirds of the lot owners.

Non-Member Assessments

Non-members are subject to an annual payment equivalent to the prorated share assessed to a member based on their square footage of property owned. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected and reported in other income. The Association's performance obligations related to its assessments are satisfied over time on a daily pro-rata basis using the input method.

Interest Income

Interest income is recognized when earned and allocated to the operating and replacement funds in proportion to the interest-bearing deposit of the funds. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

Prepaid Assessments

Prepaid assessments consist of operating and reserve assessments paid in advance by members. The balance of prepaid assessments will increase or decrease based on the timing of payments by members. The balance of the contract liability, prepaid assessments, were \$1,332, \$1,942, and \$11 as of December 31, 2023, 2022 and 2021, respectively.

Contract Liabilities (Assessments Received in Advance - Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance - replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. Contract liabilities (assessments received in advance – replacement fund) were \$88,271, \$80,497 and \$74,000 as of December 31, 2023, 2022 and 2021, respectively.

Common Property

The ownership of commonly owned assets is vested directly or indirectly in the lot owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements. Replacements, major repairs, and the purchase of commonly owned assets are accounted for as expenditures from the appropriate reserve account of the replacement fund.

Certificate of Deposit

Certificate of deposit is carried at cost plus accrued interest which approximates fair value. During the year ended December 31, 2023, the certificate of deposit matured, and a new 37-month certificate of deposit was purchased and matures in October 2026.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

The Association prepares its financial statements in conformity with generally accepted accounting principles, which require the Association to make estimates and assumptions that affect the amounts of assets, liabilities, fund balances, members' assessments and expenses during the periods presented. They also affect the disclosure of contingencies. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers certificates of deposits with an original maturity date of three months or less when purchased to be cash equivalents.

Income Taxes

The Association is not taxed on amounts received as assessments from owners. Interest and other amounts received by the Association for non-membership activities, net of related expenses, are subject to federal and state income taxes.

The Association has evaluated its tax positions and management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2023 and 2022. Currently, the last three tax years are open and subject to examination by the Internal Revenue Service. The Association is not currently under audit nor has the Association been contacted by any taxing jurisdiction regarding an audit. The Association records interest and penalties related to income taxes in income tax expense on the statement of revenues and expenses. Total interest and penalties were \$40 for the year ended December 31, 2023. There were no interest or penalties for the year ended December 31, 2022.

Fund Transfers

The Association transfers funds from the general fund to the replacement fund to cover anticipated budgeted expenses.

Recently Adopted Accounting Guidance

The Financial Accounting Standards Board issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were members' assessment receivable.

Management adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Date of Management's Review

The Association has evaluated subsequent events through January 22, 2025, the date on which the financial statements were available to be issued.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE C – FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board (FASB) has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under professional accounting standards are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Certificates of Deposit:* Valued at original cost-plus accrued interest, which approximates fair value.

There have been no changes in the methodologies used at December 31, 2023.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE C – FAIR VALUE MEASUREMENTS (continued)**

The following tables sets forth by level, within the fair value hierarchy, the Association's assets at fair value:

Fair Value Measurements as of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ <u>-</u>	\$ <u>23,677</u>	\$ <u>-</u>	\$ <u>23,677</u>

Fair Value Measurements as of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ <u>-</u>	\$ <u>23,763</u>	\$ <u>-</u>	\$ <u>23,763</u>

**NOTE D – CONCENTRATION OF CREDIT RISK**

Cash

The Association maintains its cash accounts at one financial institution located in Fort Myers, Florida. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2023 and 2022, there were no uninsured balances.

Accounts Receivable

The Association defines a concentration in accounts receivable as those that comprise 10% or more of accounts receivable balance at year-end. The following table summarizes concentrations in accounts receivable at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Member A	17.14%	-
Member E	-	13.07%

**NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed for components of common property. The Board of Directors has chosen to maintain a replacement fund to accumulate funds for the estimated costs of future major repairs and replacements based on estimated remaining useful lives and past expenses. The Board has developed a plan to fund those needs by including a portion of annual assessments for replacement funds.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

**NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)**

Accumulated funds, which aggregate \$88,271 and \$80,497, are presented on the accompanying balance sheet as contract liabilities (assessments received in advance – replacement fund) at December 31, 2023 and 2022, respectively, and are held in separate accounts and are generally not available for operating purposes. The effect on future assessments has not been determined at this time.

**SUPPLEMENTARY INFORMATION**

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Schedule of Changes in Replacement Assessments Received in Advance (Replacement Fund Balances)  
For the Year Ended December 31, 2023

**See Independent Accountant's Review Report**

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2023 Funding Requirement	Components of Fund Balance (Contract Liability at December 31, 2023)
Drainage	2	\$ 20,000	\$ 2,364	\$ 17,626
Emergency/Storm Fund	7	15,000	1,280	7,320
General Reserve	10	46,511	-	46,507
Signs	22	60,000	2,296	11,783
Irrigation Pumps	5	8,000	1,200	3,200
Irrigation Wells	17	12,000	635	1,835